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## Transportation Committee

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### HB 1892

**Brief Description:** Repealing the deduction for handling losses of motor vehicle fuel.

**Sponsors:** Representatives Fey, Clibborn, Farrell, Moscoso, Tarleton, Ormsby and Bergquist.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Repeals the handling loss deduction from the motor vehicle fuel tax.</li></ul>
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**Hearing Date:** 2/16/15

**Staff:** Jerry Long (786-7306).

**Background:**

The motor vehicle fuel tax was established in 1921. Licensed fuel suppliers, distributors, and importers are allowed a handling loss deduction on motor vehicle fuel, but not on special fuels such as diesel. The deductions are as follows: 0.25 percent for a motor vehicle fuel supplier acting as a distributor; and 0.30 percent for all other licensees.

For licensees required to file tax reports, the handling loss deduction is required to be reported on tax reports filed with the Department of Licensing. For motor vehicle fuel distributors, the handling loss deduction is required to be shown on the invoice provided to the motor vehicle fuel distributor by the seller.

Beginning in 1939, fuel distributors could deduct 1 percent of the volume of motor vehicle fuel before computing the fuel tax to be remitted to the state. Originally, this was to account for losses the distributors sustained through evaporation and handling. In 1951 the Legislature reduced the handling loss deduction to 0.25 percent and deleted the term evaporation from the statute, leaving handling losses as the rationale for the deduction. In 1999 the point of taxation changed from the distributor level to the terminal rack. That legislation maintained the handling loss deduction for suppliers acting as distributors at 0.25 percent and increased the handling loss deduction for distributors and importers to 0.30 percent.

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In 2008 the Joint Legislative Audit and Review Committee (JLARC) reviewed this exemption (JLARC Report 09-4: 2008 Expedited Tax Preference Performance Reviews) and recommended that the Legislature terminate the motor fuel handling loss deduction. Their recommendation was based on today's Department of Ecology (DOE) regulations concerning the methods and equipment used in the distribution of fuel, which are stricter than they were in 1939 or 1951. In Washington, gasoline vapor emissions are regulated by either the DOE or one of seven clean air agencies through gas station inspections.

In January 2015 the JLARC issued a report which addressed gasoline vapors that escape when fueling motor vehicles. There are now three types of vapor recovery systems used to minimize vapor emissions during the transfer of gasoline at a gas station. A stage 1 vapor recovery system is used during the transfer of gasoline from a tanker to a gasoline station's underground storage tank. A stage 2 system captures vapors while refueling a vehicle. Like stage 2 systems, motor vehicle manufacturers have been installing Onboard Refueling Vapor Recovery (ORVR) systems that also capture vapors during the refueling of vehicles. These systems are installed inside the motor vehicle's fuel tank. The ORVR systems were phased in starting in 1998 and, by 2006, 99 percent of all new vehicles have been equipped with ORVR systems.

There are 85 licensed fuel suppliers, 53 licensed fuel importers, and 77 licensed fuel distributors.

**Summary of Bill:**

The handling loss deduction from the motor vehicle fuel tax is repealed.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on August 1, 2015.